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ABSTRACT

This three-part curriculum for entrepreneurship education is primarily for postsecondary level, including four-year colleges and adult education, but it can be adapted for special groups or vocational teacher education. The emphasis of the eight instructional units in Part III is operating a business. Unit A focuses on the management process. It details various management functions, such as planning work, organizing people and resources for work, actuating work, and controlling and evaluating work. Examples illustrate ways in which the quality of work management can "make or break" a small business. Material is organized into three levels of learning which progress from simple to complex concepts: Exposure, Exploration, and Preparation/Adaptation. Each level contains preassessment; teaching/learning objectives; substantive information (questions in margins guide the students' reading); activities, including a postassessment; and a self-evaluation. Definitions of important terms are found at the beginning of the unit; a bibliography is appended. The four-page instructor's guide contains the teaching/learning objectives, teaching/learning delivery suggestions, and pre/postassessment suggested responses. (YLB)

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Research and Development Series No. 194 C-1

P A C E

A PROGRAM FOR ACQUIRING COMPETENCE IN ENTREPRENEURSHIP

PART III: Being an Entrepreneur
UNIT A: Managing the Business

The National Center for Research in Vocational Education
The Ohio State University
Columbus, Ohio 43210

1980

CE 028 161

U S DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

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PART III: BEING AN ENTREPRENEUR

UNIT A: MANAGING THE BUSINESS

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FOREWORD

Traditionally vocational education has been geared primarily to preparing students for employment--to preparing employees. Yet there is another career path available; students can learn how to set up and manage their own businesses. They can become entrepreneurs.

Vocational education, by its very nature, is well suited to developing entrepreneurs. It is important that entrepreneurship education be developed and incorporated as a distinct but integral part of all vocational education program areas. A Program for Acquiring Competence in Entrepreneurship (PACE) represents a way to initiate further action in this direction.

The strength behind these instructional units is the interest and involvement of vocational educators and successful entrepreneurs in the state of Ohio and across the nation. Special recognition is extended to the project staff: Lorraine T. Furtado, Project Director and Lee Kopp, Program Associate. Appreciation is also expressed to the many who reviewed and revised the drafts of the units: Ferman Moody, Hannah Eisner, and Sandra Gurvis. We owe a special thanks to those consultants who contributed to the content of this publication: Carol Lee Bodeen, Louis G. Gross, Douglass Guikema, Peter G. Haines, Philip S. Hanthey, Charles S. McDowell, Mary E. McKnight, Steven R. Miller, Barbara S. Riley, Barbara A. Rupp, Ruth Ann Snyder, Robert L. Suttle, Florence M. Wellman and Roy H. Young.

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Research in Vocational Education

HOW TO USE PACE

A Program for Acquiring Competence in Entrepreneurship (PACE) is a curriculum responsive to the need for instruction in entrepreneurship. It is primarily for postsecondary level, including four year colleges and adult education, but it can also be adapted for special groups. PACE is divided into three parts (1) Getting Ready to Become an Entrepreneur, (2) Becoming an Entrepreneur (establishing a business), and (3) Being an Entrepreneur (operating a business).

Each of the three parts has a set of instructional units which relate to that topic. Within these units, the material is organized into three levels of learning: Exposure, Exploration, and Preparation/Adaptation. These levels of learning progress from simple to complex concepts.

The levels of learning will enable you to use the PACE materials to suit your individual needs. You may find it best to work with the exposure level of one unit and the exploration level of another. Or, you may choose to pursue one level throughout the entire series. You might also want to work through two or more levels in one unit before going on to the next unit.

Before beginning a unit, discuss with your instructor what level or levels of learning in that unit are most appropriate to your goals and abilities. Read the unit overview and look through the pre/post-assessments for the three levels to help you in your choice. Also check the list of definitions you might need to look up or research for that level.

When you are ready to start, turn to the level you have chosen, take the preassessment and identify those items which you feel need special attention in the unit. Also look at the learning objectives; they will tell you what you should be able to do by the time you finish that level of learning.

As you read, you will notice questions in the margins alongside the substantive content portion of each level. Use these questions to guide your reading.

At the end of each level of learning are activities which help you become involved with the content presented in the unit. You and your instructor can decide on how many activities you should do; you may want to do several or you many need to do all.

Then, evaluate yourself. Is there any material that you need to review before you take the postassessment? The difference in your answers on the pre/postassessments should show you how much you have grown in your knowledge of entrepreneurship.

When you and your instructor feel that you have successfully completed that level, you are ready to begin another level of learning, either in the same unit or in another.

OVERVIEW OF THE UNIT

As people organize to reach a goal in business, management becomes an essential part of the process. Good management is the key to success in any business--especially a small business.

The purpose of this unit is to give you a broad overview of the management process. As you study the unit, you will learn about the responsibilities of the manager of a small business. You'll also have an opportunity to learn decision-making skills that will help you be an effective entrepreneur.

The unit details management functions from planning work, through organizing people and resources for work, through actuating work, through controlling and evaluating work. Examples illustrate the ways in which the quality of its management can "make or break" a small business.

PACE

PATH OF STUDY

PART I -- GETTING READY TO BECOME AN ENTREPRENEUR

Unit I A

Unit I B

Unit I C

PART II -- BECOMING AN ENTREPRENEUR

Unit II A

Unit II B

Unit II C

Unit II D

Unit II E

Unit II F

Unit II G

PART III -- BEING AN ENTREPRENEUR

Unit III A -- Managing the Business

Unit III B

Unit III C

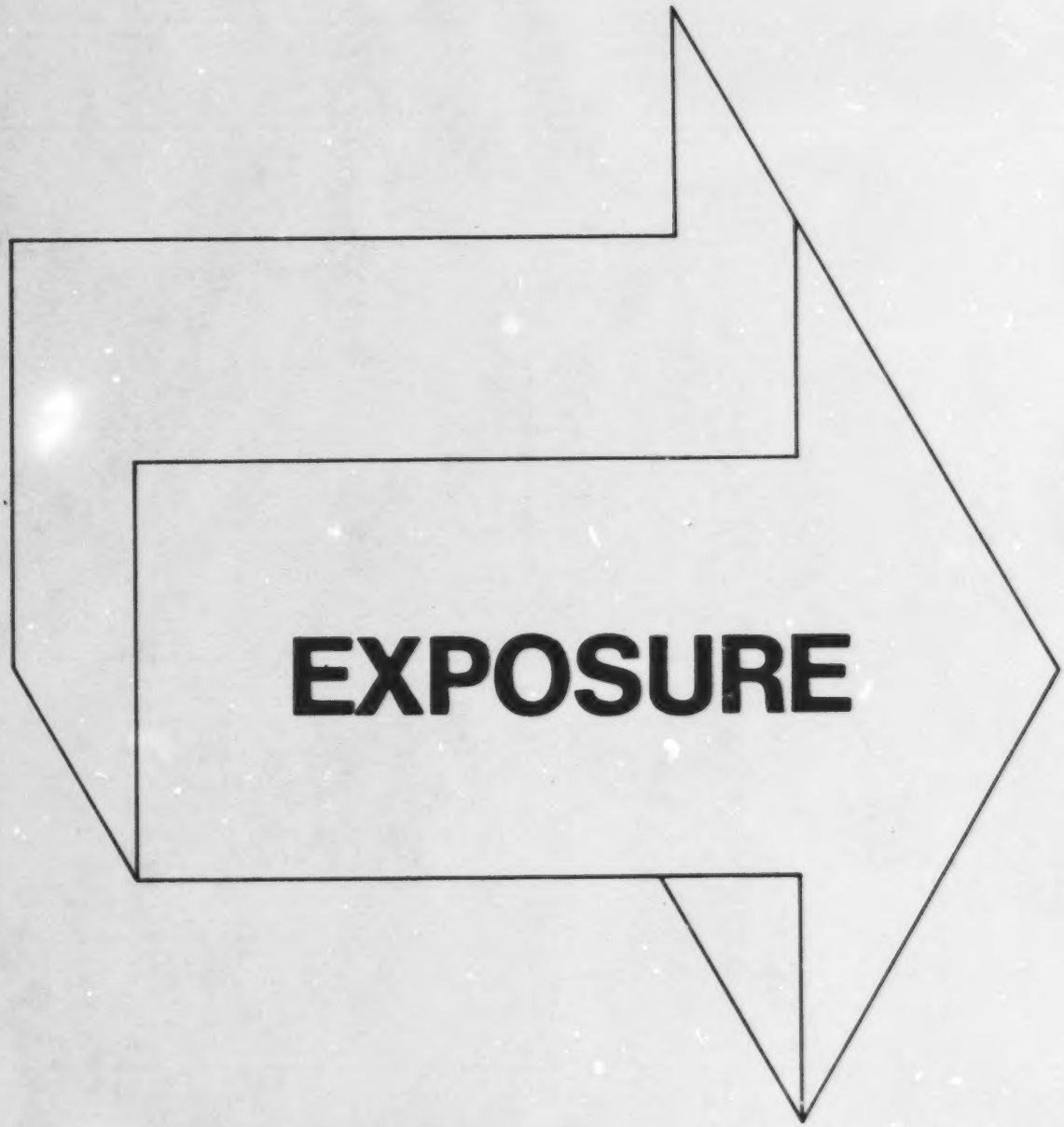
Unit III D

Unit III E

Unit III F

Unit III G

Unit III H


EXPOSURE

EXPOSURE

PART III, UNIT A
MANAGING THE BUSINESS

PREASSESSMENT

Here are some questions that test for knowledge of the contents of this level. If you are very familiar with the information needed to answer them, perhaps you should go to another level or unit -- check with your instructor. Otherwise, jot down your answers. After you've read through this level, take the postassessment at the end of the "Exposure Activities" section and measure what you've learned.

1. What steps or processes are required in making business decisions?
2. Do you believe that planning is basic to business success or failure. Why or why not?
3. What are the functions of management?
4. What is the difference between short-term and long-term planning?
5. How and where can an entrepreneur get the information needed to make informed decisions?

TEACHING/LEARNING OBJECTIVES

Upon completion of this level, you should be able to:

1. Explain the role of management in operating a small business.
2. Distinguish between short-term and long-term planning.
3. List the steps involved in making business decisions.
4. Explain and define management functions.

SUBSTANTIVE INFORMATION

IMPORTANCE OF DECISIONS

WHY ARE DECISIONS SO IMPORTANT?

Decision-making is an important part of daily life. For the owner/manager of a small business, the ability to make decisions is vital. If business owners make good decisions, their companies probably will be successful. If managers make bad decisions, their companies may fail.

Before looking at how owners/managers make decisions, it might be helpful to examine how most people make everyday decisions. Suppose you wanted to help a friend named Susan decide how to get to work each day. Would you advise Susan to make one of the following decisions:

- Buy a car
- Find a car pool
- Ride public transportation
- Walk.

What would you advise Susan to do? If you felt you did not have enough information to make a decision, you were right. Good decisions depend on knowing everything you can about a problem. Decisions based on ignorance are usually a disappointment to everyone concerned.

Many people do not explore all the alternatives available when they make a decision. As shown in Susan's case, this can often lead to a choice between only obvious alternatives. To obtain enough information to make informed

decisions, a decision-making process can be utilized which will help you identify many alternatives. From these alternatives, you can select the best decision for you.

WHAT ARE THE STEPS IN DECISION-MAKING?

DECISION-MAKING PROCESS

The usual decision-making process involves five steps. Each step is discussed below.

Identify the Problem

HOW DO YOU IDENTIFY THE PROBLEM?

Before you can make any decision, you must know what the problem is. Whom does the problem affect? Where does it occur? What are the circumstances? Consider Susan's problem of getting to work. Susan lives five miles from the factory where she works in California. Until recently, Susan had been riding to work with a neighbor. Now the neighbor is moving to another part of town and Susan must secure transportation for herself. She does not want to spend the cash necessary to buy, insure, and operate a car. Neither does she find the bus schedule in her outlying residential area convenient. Based on this information, you can now identify Susan's problem more accurately: she needs low-cost, dependable transportation for a round trip of ten miles per day to work.

Define Alternative Solutions

WHAT ABOUT ALTERNATIVES?

The next step in the decision-making process is to identify alternatives. For our case study, we must answer this question: "Exactly what choices in getting to her

job does Susan have?" Susan has several transportation alternatives available:

1. She could walk or run.
2. She could buy a bicycle.
3. She could buy a motorized bike
4. She could buy a used car.
5. She could buy a new car.
6. She could take a bus.
7. She could hitchhike.
8. She could take a taxi.
9. She could join a car pool.
10. She could advertise for a ride to work.

There are still other alternatives for Susan:

11. She could move to within easy walking distance of the factory.
12. She could look for a new job closer to her present residence.
13. She could share her apartment with another person who had a car and worked at the factory.

Can you think of any other choices or alternatives? If so, add them to the list. In decision-making, it is important to identify as many alternatives as possible. Sometimes an unlikely alternative can stimulate you to think of the perfect solution to the problem.

Gather Facts About the Alternatives

HOW CAN YOU GATHER FACTS?

Some alternatives are better than others. Anyone can omit the really poor choices, but it takes some study to differentiate between the seemingly good choices. In Susan's case, she should attempt to find the exact cost of each alternative. She should also consider other resources she might need to implement the alternatives. For example, does she have time to walk to and from work? Is her current apartment large enough to accommodate a roommate? These are just a few of the things Susan will want to think about before she can make an informed decision.

Evaluate the Alternatives

WHAT ABOUT EVALUATING ALTERNATIVES?

A workable alternative for one person may be a disaster for another. People are different in their likes, dislikes, and values. Differences or individual values must be considered and thoroughly evaluated in formulating a solution. For example, the alternative Susan selected is probably different from the one you might have chosen. Susan finally decided to buy a motorized bicycle. This inexpensive but dependable mode of transportation could easily get her to work in ten minutes each morning. After work, she could pedal part of the way home and get the exercise she needed to stay physically fit. It was a perfect solution for Susan.

Formulate a Plan of Action

WHAT ABOUT A PLAN OF ACTION?

A plan of action must be made and implemented before the decision-making process is complete. Just thinking about the action you've decided upon does not make it take place. You must plan exactly what to do to make your decision work. Before Susan's plan could work, she had to do some comparative shopping and purchase the motorized bicycle. Susan had to check the legal requirements to determine if a title and license were needed. She also had to plan to purchase a lock and insurance. In addition, Susan wanted to check about a carrier or knapsack for her purse, her lunch, and any other personal belongings she might wish to take to work. Finally, she had to select the best route with the least traffic for getting to and from work each day. All of these elements formed her plan of action.

Susan used the decision-making process to make an informed decision that fit her lifestyle. There might be times you might want to use this procedure in your personal life. This organized method of making decisions is also important to an entrepreneur in running the business.

MAKING BUSINESS DECISIONS

HOW IMPORTANT IS IT TO USE A DECISION-MAKING PROCESS?

Entrepreneurs pride themselves on making good decisions. Many times they can turn to experts on their staff for help in decision-making. In a small business, however, managers must make most decisions by themselves.

Often managers find that identifying the real problem is the hardest part of decision-making. Many times what appears to be the problem is only a symptom of the problem. For example, the problem might appear to be laziness and slow production on an assembly line, when, in fact, it could be a personality conflict between workers and their supervisor. Accurately defining the problem is critical to making the "right" decision.

Most successful managers develop several alternative solutions. The more imaginative and open-minded the owners are, the more alternative solutions they can identify. The number of alternatives is limited only by their own imagination. For example, the management of Manufacturers, Inc. could only identify one alternative for their problem. Their problem was a plant so obsolete that it could not compete with newer plants. Managers felt their only alternative was to build a modern plant nearby. Can you think of other alternatives these managers could have considered? Below are some suggestions.

- What about updating existing facilities?
- What about renting new premises?
- What about consolidating with another plant?
- What about building in a new location closer to the source of raw materials?
- What about buying ready-made parts and assembling them in the old plant?

- What about changing from manufacturing into distributing products?

These and other alternatives could probably have been identified had the managers of Manufacturing, Inc. used their imaginations.

When managers gather facts and evaluate alternatives, they must match the amount of time spent to the importance of the problem. For instance, it does not make sense to spend weeks gathering information on what kind of typewriter to buy. On the other hand, major decisions involving large expenditures or the development of company policies which will affect many of the company's operations deserve considerable time and study.

Often after much study, you, as the owner, will still be left with more than one alternative from which to select. If these alternatives are not significantly different, you may have to make an educated guess. To make educated guesses, managers rely on their experiences. Other times they rely on their intuition or "hunches." They may have a strong unexplainable feeling that one of the decisions is better than the other. They select the decision that feels right.

Once the decision is made, you must develop its implementation. A person responsible for carrying out the decision must be chosen. You may also need to consider

such factors as additional workers and supplies and budgetary costs.

THE MANAGEMENT PROCESS

WHAT IS MANAGING?

Although decision-making is a very important aspect of every manager's job, his or her real job is to make things happen so the business can achieve its goals. To accomplish this, managers work mainly with data and people. They use all the numbers, symbols, and other information available to develop plans that will make the firm's work go smoothly. Managing involves getting all the parts of the business, including personnel, marketing strategies, finances, and records to function together to achieve the firm's goals.

No two days are exactly the same for managers. They have a variety of duties to perform. Daily demands often result in changing schedules to meet new problems. The weekly schedule of Bob Doe on the following pages illustrates this. Bob is the manager of a small construction company employing a bookkeeper, a draftsperson, three supervisors, and ten construction workers.

No two managers have jobs that are the same. The jobs are shaped by the type of business and the personality of the individual manager. In the example on the next page, Joan Schmidt owns a small gift shop that sells handmade items on consignment. She tends the shop herself in the morning. In the afternoon she employs a part-time salesperson who

JOAN SCHMIDT'S TYPICAL WEEK

Monday	Tuesday	Wednesday	Thursday	Friday
Tend shop	Tend shop	Tend shop	Tend shop	Tend shop
Tidy shop	Make craft items	Plan new display	Tidy shop	Set up new display
Go through mail	Go through mail	Go through mail	Go through mail	Go through mail
Inventory	Lunch	Lunch	Inventory	Lunch
Lunch	Afternoon off	Bookkeeping	Lunch	Go to bank
Plan the week	Give evening talk to club	Correspondence	Call handcraft workers	Design ad for next week's paper
Go to bank		Go to bank	Pick up new consignments	
Call handcraft workers		Pay bills	Pick up supplies for display	
Pick up new consignments			Update books	
Order supplies			Talk with office equipment salesperson	
Update books				

BOB DOE'S TYPICAL WEEK

Monday	Tuesday	Wednesday	Thursday	Friday
Make work assignments	Make work assignments	Take new prints to state capital for approval	Make work assignments	Make work assignments
Make sales calls on prospective clients	Pick up supplies	Lunch	Appt. with subcontractor	Visit Job Site 1
Lunch	Visit Job Site 3	Make phone calls	Place material order for new building	Plan next week's work
Visit Job Site 1	Lunch	Go through mail	Talk with salesperson	Lunch
Visit Job Site 2	Return calls	Figure and submit bid for job	Lunch	Make materials list for next week and place order with suppliers
Make/return phone calls	Check prints for new job	Check time sheets	Visit Job Site 3	Go through mail
Plan work assignments	Make work assignments		Visit Job Site 2	Call service person for copy machine
			Return Calls	Call ad agency

also makes items when no customers are in the shop. During afternoons, Joan does the bookkeeping and needed consignment items.

Management Functions

WHAT ARE THE FUNCTIONS OF MANAGEMENT?

Although Joan and Bob are on very different schedules, they have many things in common:

- Both perform a variety of duties each week
- Both plan, organize, and control the work of people
- Both give and receive a lot of information
- Both use their own judgment and are responsible for their decisions
- Both guide their companies toward their business goals.

The examples of Joan and Bob illustrate that, even though managing each business is different, managers share a common way of completing their work. Most managers perform the same functions:

1. Planning work
2. Organizing people and resources for work
3. Actuating work
4. Controlling and evaluating work.

Planning

WHAT DOES PLANNING INCLUDE?

Entrepreneurs must be good planners. If they are not, their success will probably be short-lived. When managers

make a plan, they set objectives or goals. They formulate policies, procedures, methods, or programs to accomplish these goals. Plans must be constantly reviewed and updated. No matter how thorough, the plans themselves do not guarantee success.

In planning, managers must make both short- and long-term plans. Short-term plans are accomplished in days or weeks. Joan used short-term planning when she planned and arranged a new display of handcrafted items. Bob used this type of planning when he checked drawings and obtained a state permit for a building. Long-term planning is accomplished over months or years. Joan's goal of explanding the business and Bob's goal of grossing a million dollars a year will call for long-term plans.

Organizing

WHAT DOES ORGANIZING INCLUDE?

After plans are made, the work must be organized. Managers must identify the people needed to carry out the plan. The equipment to be used must also be identified.

Actuating

WHAT DOES ACTUATING INCLUDE?

Actuating simply means putting the plan into action. You will need to inform your employees of the plan; all persons involved must understand their part. Actuating also involves motivating employees to work efficiently and effectively, and to want to get the job done.

Controlling and Evaluating

WHAT DOES CONTROLLING INCLUDE?

Entrepreneurs must control implementation of the plan carefully once the work begins. The quality and quantity of all results must be evaluated. If the results are satisfactory, work can continue. If problems arise, changes must be made and alternative plans may have to be developed. An entrepreneur must make adjustments in personnel, equipment, policies or procedures whenever they are needed.

HOW DOES THE MANAGEMENT FUNCTION WORK?

Use of Management Function

Below is an example of a management function:

Planning: A small midwestern tour company decides to develop a New England tour featuring fall colors. The tour will be marketed to senior citizen groups. Transportation will be via motor coach.

Organization: An itinerary is developed. Blocks of rooms are reserved. Motor coaches are booked. Tour escorts and guides are scheduled. Potential groups and participants are identified.

Actuating: Tours are sold to senior citizen groups. Payment is collected. Reservations are confirmed.

Controlling/ Evaluating: The tours are conducted. Tour escorts keep the tours running smoothly and take

notes on trip highlights. The notes will help when the trip is evaluated for possible use next year.

The careful managing of the New England Colors Tour paid off. The tour was a success, and the company planned to make it a permanent part of its offerings.

EXPOSURE ACTIVITIES

As you have just read, management is a very important part of all businesses. Now that you have learned some management skills, try these activities.

ASSESSMENT ONE

1. Write a job description for the position of owner/manager of a small business in the field in which you are interested. Be sure the job description includes personal qualities necessary, as well as skills and knowledge in management.
2. Develop a program that could be implemented by a local company in your field of interest. (Refer to the New England Colors Tour example presented earlier.) Briefly describe the program and identify the elements to be considered in planning, organizing, actuating, and controlling/evaluating.
3. The following activity is designed to be used in a group of no more than eight persons:

   A small publishing company finds overall sales dropping drastically. A survey shows that its traditional texbook sales are holding steady. Texts in special interest areas are doing poorly. Sales of audiovisual aids such as filmstrips are marginal. If sales are not increased quickly, cuts in budget and editorial and sales staffs must be made. Design a set of eight or more alternatives available for the company to operate profitably.

POSTASSESSMENT

1. List and describe the process involved in making business decisions.
2. "Planning is basic to a business's operation--more importantly, to its success or failure." Do you agree or disagree with this statement? Give your reasons.
3. Name and describe the functions of management.
4. Distinguish between short-term and long-term planning. Give examples of each.
5. How and where can an entrepreneur get the information needed to make informed decisions? Discuss in detail.

Compare your answers to your responses to the preassessment. You may want to check your postassessment answers with your instructor.

SELF-EVALUATION

How well did you know the information needed to do the activities?

( ) Very well
( ) Fairly well
( ) A little

Be honest with yourself. If you feel you don't know the material well enough, it might be helpful to review this section before going on.

EXPLORATION

PREASSESSMENT

Here are some questions that test for knowledge of the contents of this level. If you are very familiar with the information needed to answer them, perhaps you should go to another level or unit -- check with your instructor. Otherwise, jot down your answers. After you've read through this level, take the postassessment at the end of the "Exploration Activities" section and measure what you've learned.

1. What types of problems do business owners/managers encounter?
2. What are the functions of management?
3. "Unless an owner/manager can make good decisions, the business is doomed to failure." Do you feel that decision-making is that important? If so, what can an entrepreneur do to become an expert in decision-making?
4. Describe the inherent rewards of being a manager/owner.
5. For each of the management functions you identified in No. 2 above, assess your capabilities related to each function. Where are your strengths? Weaknesses?

TEACHING/LEARNING OBJECTIVES

Upon completion of this level, you should be able to:

1. Assess your capabilities for being a successful manager.
2. Use a logical decision-making process to make a business decision.
3. Identify problems and rewards inherent in the management role.

SUBSTANTIVE INFORMATION

EFFECTIVE MANAGEMENT

WHAT IS GOOD MANAGEMENT?

The little carry-out restaurant was changing owners again. First it had featured tacos and other quick Mexican foods. After a year, the "Taco" sign came down, and in its place, a "Pizza" sign appeared. A year and a half passed, and another change came about. Down came the "Pizza" sign and up went a new "Taco" sign. The new sign stayed up for many years. Why? The answer was obvious to anyone who had patronized the restaurant during the three different ownerships. Good management had made the difference.

BUSINESS DECISION-MAKING

WHAT'S INVOLVED IN MAKING BUSINESS DECISIONS?

Decision-making is the most important skill a good manager can have. The business will prosper or fail according to the decisions the manager makes. It is important to feel comfortable and competent about making decisions. Consider the following case:

> Connie Crocker wanted to open a day care center for children. She planned to operate the center from 7:15 a.m. to 6:15 p.m., five days a week. Her problem was in obtaining a facility. She had recently discovered that her own home would not meet federal licensing requirements for day care centers. Yet she did not have enough money to buy an adequate facility.

What can she do? How would you advise Connie to solve her problem? She came up with two solutions (1) abandon her day care center idea, or (2) risk her savings and purchase a building, hoping she can meet payments. Which is the best solution? How would you go about making the decision?

Steps in Decision-Making

WHAT ARE THE STEPS IN DECISION-MAKING?

The decision-making process is built on five steps:

- Identify the problem
- Define alternative solutions
- Gather facts about the alternatives
- Evaluate alternatives to pick the best solution
- Formulate a plan of action.

Identify the Problem

HOW DO YOU IDENTIFY THE PROBLEM?

The first step is the most important. If the problem is not correctly identified, the solution will be worthless. For example, suppose Connie Crocker identified her problem as money. Then, her entire decision-making effort would be concentrated on finding new sources of money. Although money is a limited resource in this situation, it is not the cause of the problem. Connie's real problem is that she needs a day care facility five days a week that is large enough for thirty children and meets day care licensing standards.

Define Alternative Solutions

WHAT ABOUT ALTERNATIVES?

Most successful managers develop several alternative solutions for their problem. The more alternatives managers have to choose from, the better their chances of finding a workable solution. For instance, Connie had identified only two alternatives, neither of which she found acceptable. Connie could:

- Abandon the day care center idea.
- Risk her savings and purchase a building that meets requirements.
- Rent space and fix the building to meet requirements.
- Find a business partner who has access to a suitable building.
- Look for a low rent community building.
- Sell her home and buy a building suitable for both a day care center and a family home.
- Build an addition onto her home to accommodate the day care center.
- Plan to operate with sixty rather than thirty children so there will be more income to cover building payments.
- Find out if federal grant money could be obtained to subsidize the day care center.

Gather Facts About the Alternatives

HOW DO YOU GATHER FACTS?

To select the best alternative, managers must gather enough facts about each alternative to make an informed choice. Important decisions may require much research before adequate information is located. Making decisions which are not considered of major consequence may require only a phone call or two, or a trip to the library for some statistics. In Connie's case, she spent several weeks gathering the information she needed. She talked with realtors, contractors, bankers, and day care center inspectors to get an idea of her exact needs and the costs of the different alternatives. She investigated existing facilities and fees. She talked with community leaders about the possible use of various buildings. Since she wanted to be a sole proprietor of the day care center, she ruled out looking for a partner. She visited the library and looked at the latest census to determine the potential number of children needing day care. Finally she felt she had enough information to make the decision.

Evaluate Alternatives to Pick the Best Solution

WHAT ABOUT EVALUATING ALTERNATIVES?

Managers must evaluate the facts collected to make the best decision. Sometimes all but two or three alternatives can be eliminated. Then managers must take the responsibility for choosing what they feel is the best alternative. Often this choice is based on past experience or on intuition. The best alternative for Connie's day care

facility turned out to be a low-rent community building. She rented the sunday school facilities of a nearby church. The facility was centrally located, spacious, and needed only a few modifications to meet the standards for day care centers. The church welcomed the opportunity to serve the community and generate some income that would pay operating costs for its facility.

Formulate a Plan of Action

WHAT ABOUT A PLAN OF ACTION?

Once the best alternative has been chosen, managers must decide who will be responsible for implementing the plan. If equipment is needed, it must be scheduled or purchased. If materials and supplies are needed, they must be ordered and delivered to the place of use. Connie's plan of action contained many items. She needed a contract with the church for their sunday school facility. A carpenter had to be hired to make the necessary facility modifications. Inspection for licensing had to be arranged. Books, toys, games, cots, and other materials had to be purchased. Children had to be recruited. Connie's completed plan of action detailed all of these activities. Now she could begin to implement her decision. Soon she would be operating her own day care center.

Decision-Making Skills

WHAT ARE THE DECISION-MAKING SKILLS?

You have seen how Connie used the decision-making process to achieve her business goal. But what about you? Do you feel comfortable with this decision-making method? Do you

have any of the following decision-making skills?

- Can you analyze cause/effect relationships?
- Can you evaluate performance apart from personality?
- Can you identify creative alternatives?
- Will you take the time to research needed information?
- Can you figure the costs of alternatives?
- Can you divorce yourself from personal values while you analyze alternative solutions?
- Can you evaluate the effect different solutions will have on the total operation?

If you feel these questions do not describe you, you may wish to sharpen your decision-making skills. Try using the five steps in decision-making to make personal decisions. This method provides an effective way of improving your managing abilities.

MANAGING

WHAT IS INVOLVED IN MANAGING?

Managing is probably the most challenging and rewarding job in any business. Managing requires that you be accountable for your actions. Managers are held responsible for the work of everyone they employ, for company operations, and for all the decisions made. You as a manager will need to plan, organize the work, motivate employees to carry out the tasks, and finally evaluate the success of the plan.

Does the role of managing appeal to you? Do you have the abilities needed to be a leader? Do you enjoy meeting business challenges? Are you able to work long, hard hours without a "thank you" from anyone? Are you persistent enough to make it through bad times as well as good times?

Earlier, a successful little carry-out restaurant was described as an example of good management. But just what does a good manager do? What makes some managers successful while others fail? And most importantly, do you think you have what it takes to be a good manager?

Management Abilities

WHAT ABILITIES ARE NEEDED?

Managing requires certain basic abilities. To find out whether or not you will be a good manager, ask yourself the following:

- Do I like to solve problems?
- Is my ability to communicate above average?
- Are my math skills average or above?
- Do I have average to above average ability to recognize details in words and numbers?
- Is my ability to understand diagrams, sketches, or pictures average or better?
- Did I do average or better work in school?

Perhaps you are not sure about your managerial abilities. Many of these skills can be learned. Assessment One in the "Activities" section of this level is a self-test which

may provide you with additional insight concerning your managerial strengths.

Management Functions

WHAT ARE THE MANAGEMENT FUNCTIONS?

The job of managing varies from business to business. Each management position is unique because the business of each company and the personality of each manager is different. However, all managers of small businesses are in charge of the same kinds of functions. These functions include planning, organizing, actuating, controlling, and evaluating. The management techniques used by each person may change, but the functions are the same.

Planning

WHAT IS INVOLVED IN THE PLANNING FUNCTION?

Planning takes up a large share of every manager's time. Planning requires establishing long- and short-term goals. Some examples of long-term plans are:

- To gross $500,000 in sales this year
- To open a branch retail store
- To hire a full-time salesperson
- To add five more trucks and delivery routes.

Short-term plans must also be established. Some examples of short-term plans are:

- To erect a pole barn
- To familiarize employees with new operating procedures

- To raise monthly sales 5%
- To approve a floor plan for the new branch store.

Managers also make daily plans. These plans include appointments, special meetings, things to check on, and calls to make and return. A good manager prioritizes this list. Then, if an emergency arises, the manager can quickly drop the least necessary item from the list and create time for the emergency. For instance, Ken Trump, managing editor of a small publishing company, always made a daily plan. However, he was quick to change the plan if problems warranted. Compare the following "plan" and "actions."

Ken's Daily Plan	Ken's Actions
Review notes for board meeting	Checked final paste-up
Attend board meeting	Attended board meeting
Lunch	Ate lunch
Call: artist bindery compositor cancel luncheon	Asked secretary to: call artist cancel luncheon move editor appointment to tomorrow
Review manuscript	Asked production coordinator to call bindery and compositor
Consult with editor	Continued board meeting
Call author	Began to review manuscript.

Managers often develop systems for improving their daily planning. As they think of things that need to be done, they record them at once, before forgetting. Some managers keep a special "to do" list. Others carry a note pad or index cards. Some scribble their thoughts down on used envelopes, scraps of paper napkins, or any available paper.

Daily, short-term, and long-term plans are all interrelated. One is built upon the other. By accomplishing many daily tasks, one achieves short-term goals. By accomplishing many short-term goals, one eventually reaches the long-term goal. The following example illustrates this relationship.

Long-Term Plan	Short-Term Plan	Daily Plan
To open a branch retail store	Develop floor plan	Ask department heads to record features wanted
	Select building site	Discuss wants/needs
		Finalize specifications
		Meet with architect
		Meet with realtors
		Visit possible sites
		Discuss loan with loan officer of bank

Organizing

WHAT IS INVOLVED IN PERFORMING THE ORGANIZING FUNCTION?

Organizing is as important as planning. At this stage, the plan becomes more than a detailed idea. It is translated into people, equipment, supplies, and other needed resources. You will select the people who will actually do the work. If equipment is needed to implement the plan, you will make sure it is available. When everything is ready, the organization phase of managing is completed.

Actuating

WHAT DOES ACTUATING INVOLVE?

Actuating is getting the job done. Communications with employees are critical to the success of every project. Therefore, employees must understand their part in the firm's work. Actuating also means motivating employees to want to do their work assignments. Looking ahead to solve problems before they develop is another part of the actuating function.

Controlling/Evaluating

WHAT DO CONTROLLING AND EVALUATING INVOLVE?

Controlling and evaluating are also important management functions. In businesses employing a number of people, entrepreneurs may use a system of reporting to help control work. Employee reports may be written or oral. In a small business, oral reports are probably sufficient. Evaluating is assessing the success of the project. Finding the strong and weak points of a completed project helps the company improve operations in the future.

The Realities of Being a Manager

DO THE MANAGEMENT FUNCTIONS OCCUR AT DIFFERENT TIMES?

Unfortunately, a manager's work is not as clear-cut as the preceding examples indicate. Each day, a manager deals with many different projects at different stages. A manager may be planning one project, organizing another, and supervising two more in progress. Often evaluation is informal. Even though the manager may supervise and direct a number of jobs at various stages at once, each project in itself follows the management pattern closely. That is, first each project is planned, then organized, then actuated, and then controlled and evaluated. Below is an example of how managers actually perform these functions.

Sample Manager's Day	Interpretation of Function
Study supervisors' reports on all projects	Controlling/Evaluating
Meet with Miss Jones to discuss initial plans for Formbe project	Planning
Lunch with Mr. Tyler to finalize purchase of new equipment for Greg project	Organizing
Staff meeting	Controlling/Evaluating
Hold open house to launch new sales promotion	Actuating
Make plans for tomorrow	Planning.

Are you capable of dealing with many projects during each day? Can you remember details from one project while you mentally "change gears" and concentrate on solving problems in another project? Can you listen calmly to a person who interrupts your work on one project to report a serious snag in another project? Or do you react to such pressures by:

- Becoming nervous and irritable?
- Criticizing the person presenting the project so he or she will go away and not bother you?
- Forgetting project details and responsibilities?
- Concentrating so hard on one project that you can't recognize when another needs some of your time?

If you exhibit these symptoms when working on a tight schedule with more than one project, you will need to evaluate and pinpoint those areas which you can improve.

You will also probably like doing some management functions more than others, and will probably perform certain tasks better than others. Therefore, you will need to develop expertise in your "weak" areas or seek managerial assistance. It is easy to get professional help to improve your managing skills.

EXPLORATION ACTIVITIES

Will you be able to put the management functions into practice? The following activities will help you experience some "real" management situations to give you an opportunity to utilize what you have learned. After completing the activities, do a self-evaluation to check your understanding of the material.

ASSESSMENT ONE

ARE YOU THE MANAGEMENT TYPE?

Review this checklist. Mark the boxes that describe you.

☐ You make things happen. Once you know what should be happening, you put all your efforts into getting the job done. You have probably heard that there are three kinds of people: "People who make things happen; people who watch things happen; and those who don't know what has happened." You are the first kind.

☐ You concentrate on managing, not doing. When you manage the firm, your employees will be the "doers." You will strive to identify problems before they happen. You have made it your goal to work smarter, not harder.

☐ <u>You are yourself</u>. You don't try to be Mr. or Ms. Nice. You concentrate on your work, not on winning a popularity contest. You know that no matter what you do, there will be some people who think you're great and some who don't. You are pleasant but you get on with the business of managing.

☐ <u>You strive for results</u>. The programs and procedures you plan produce results. You don't get bogged down in trends and "red tape." You strive for an organization in which responsibility and results are clearly understood.

☐ <u>You train your employees</u>. You want your business to grow, so you intend on developing and training subordinates to do part of your job. Therefore, you plan to turn over some of your authority to others. You do not feel you are the only one who can do the job right.

How did you do? Did this checklist describe you? Are you the management type?

<u>ASSESSMENT TWO</u>

1. Write a three-page autobiography highlighting at least two instances in which you did or did not show capabilities for being a manager. You may choose examples from things that happened at home, at work, in school, or in community work.

2. Interview a small business owner/manager. Ask the manager to explain a problem that her or his business encountered and the process used to solve that problem. Compare and contrast the decision-making process used by the owner/manager to the one presented in this unit.

3. Contact a manager from a local small business to meet with your group. Ask the manager to describe the rewards and problems that may be faced in a typical week. If meeting with the group isn't possible, arrange for someone to go to interview the manager. If the manager permits, the interview should be recorded on tape.

4. Make a list of all the management activities that must be done in order to start your business. (For example: make work assignments, check reports, take clients to lunch, etc.) Circle the activities you feel would be rewarding to you. Underline the activities that you find agreeable. The activities remaining are the ones that you find disagreeable or troublesome. If most of the activities are circled or underlined, you should enjoy managing.

5. Divide the class into groups. Each member of your group should write a hypothetical case study describing a business, and a problem the business faces. Each person should also identify two possible alternative solutions to the business's problem. Then you should share your case study with the other group members. Each group should choose one case study to work on together, examine the selected case study, and brainstorm as many different alternatives as possible. On paper, work through each step of the decision-making process to solve your group's case study. The group will discuss its solution and the decision-making methods used with the rest of the class.

POSTASSESSMENT

1. Describe the types of problems business owners/managers can expect.
2. Identify the four functions of management and clearly describe each function.
3. "Unless an owner/manager can made good decisions, the business is doomed to failure." Discuss this statement. Is decision-making that important? If so, what can an entrepreneur do to become an expert in decision-making?

4. Explain the inherent rewards of being a manager/owner.

5. For each of the management functions you identified in No. 2 above, assess your capabilities related to each function. Where are your strengths? Weaknesses?

Compare your answers to your responses to the preassessment. You may want to check your postassessment answers with your instructor.

SELF-EVALUATION

How well did you know the information needed to do the activities:

( ) Very well

( ) Fairly well

( ) A little.

Be honest with yourself. If you feel you don't know the material well enough, it might be helpful to review this section before going on.

PREPARATION/
ADAPTATION

PREASSESSMENT

Here are some questions that test for knowledge of the contents of this level. If you are very familiar with the information needed to answer them, perhaps you should go to another level or unit -- check with your instructor. Otherwise, jot down your answers. After you've read through this level, take the postassessment at the end of the "Preparation/Adaptation Activities" section and measure what you've learned.

1. What are the characteristics of a successful manager?
2. What are the steps usually followed in making decisions?
3. Apply the steps discussed in No. 2 above to the following situation:

   Two types of desks, standard and executive, can be produced by the Okey Company. The profit yield on the standard desk is $20.00 in contrast to that of $50.00 on the executive desk. The company can produce a maximum of 600 desks a month because of the size of the facilities. Problem: Which of the desks should be produced? Should a combination be produced?

4. Describe the importance of leadership by owners/managers and describe a leadership style.
5. What items would be included in a master plan?

TEACHING/LEARNING OBJECTIVES

Upon completion of this level you should be able to:

1. Explain the management role and your perceived strengths and weaknesses in relation to that role.
2. Use a logical decision-making process to make business decisions.
3. Identify and explain basic managing skills in planning, organizing, actuating, and controlling.
4. Outline a management style you believe might be successful for you in a small business.
5. Identify the characteristics of a successful manager.

SUBSTANTIVE INFORMATION

CHARACTERISTICS OF MANAGERS

HOW IMPORTANT ARE THE MANAGEMENT FUNCTIONS FOR BUSINESS SUCCESS?

You have a dream of owning and operating your own business. Others have also dreamed of becoming entrepreneurs. The dream has become a reality for some, but not all. If you could sit down and talk with these "dreamers" you would probably find that each had different successes and failures. All, however, would most likely agree with these statements:

- Almost all of their successes could be attributed directly or indirectly to good management practices.
- Almost all of their failures could be attributed directly or indirectly to a breakdown or oversight in managing.

To help you develop your understanding of management, you will need to become familiar with the decision-making process, management functions, and leadership skills. These are the very basic tools of managing. If you use these tools wisely and are willing to work hard, you will probably make your dream of owning a small business a reality.

Successful Managers

DO GOOD MANAGERS POSSESS SPECIAL SKILLS?

Just what is it that a manager does which is so vital to success? Simply stated, the manager's primary task is to plan and to direct the work of others in a way that allows the business to reach its goals. In order to do this,

managers go through the steps of planning, organizing, actuating, controlling, and evaluating. For each of these steps, managers must make many decisions. Skill in decision-making is often the factor which makes the difference between a manager's success or failure.

Managers who operate small businesses often have several common characteristics, which include the following:

1. Successful managers make things happen. They do not sit around, hiding behind an impressive door, hoping the work will get done. They take an active role in making sure that work is going according to schedule. If things aren't going well, they must immediately take steps to correct the situation.
2. Successful managers concentrate on managing, not doing. They try to work smarter, not harder, and put all their efforts into directing and shaping events. Instead of actually doing the work, they manage others in doing the work.
3. Successful managers act naturally. They don't waste time and energy worrying about what people think of them. They concentrate on doing the job effectively, not on winning a popularity contest. They are themselves and realize that if they do a good job of managing, they will win the respect of most people.

4. Successful managers strive for results. They don't get hung up on tradition or old ways of doing things just because "we always did it that way."
5. Successful managers work through the organization. They train subordinates to do part of their work. Of course, it's hard for anyone to turn important work over to people they feel are not as competent as themselves. However, they do it, knowing that their own incompetence, caused by too heavy a workload, will damage the organization. Careful selection and training of subordinates will result in eventual accomplishment of the work in a manner as well as, or even better than, the manager.

Managers Who Fail

WHAT DO POOR MANAGERS DO WRONG?

Managers who fail also share some characteristics in common which include the following:

1. They waste time. These managers do not necessarily daydream or twiddle their thumbs, but they spend a lot of time doing things that are not really necessary.
2. They avoid certain duties. Some managing activities are more interesting or more pleasant than others. For example, collecting a past-due bill or firing an inefficient employee are unpleasant realities a manager must face. Inefficient managers may put

off dealing with the unpleasant activities on the pretense that they are too "busy" with more pleasant activities. Meanwhile, the business suffers.

3. They do not assign work. When work is not properly assigned, employees cannot do their jobs well. Employees may not even understand what is expected of them.

Think about yourself in relation to the preceding characteristics of successful and unsuccessful managers. Which characteristics apply to you? If you share the success characteristics, be encouraged. But take note of any failure characteristics and plan to correct them.

THE DECISION-MAKING PROCESS

HOW IMPORTANT ARE BUSINESS DECISIONS?

As previously mentioned, decision-making is at the heart of all that a manager does. It is a most basic and fundamental skill. Below is a situation which requires decision-making skills.

Casandra Lowe had just opened a small business, Home Help Unlimited. This small organization provided the services of maintenance, yard work, cleaning, and other household tasks to families for a nominal fee. After two months of operation, Casandra had problems. Her six part-time employees were unhappy because they were often asked to work during those hours that they wished to be home. Her customers

were unhappy because the workers did not arrive to do the work at the time the customers requested. Neither employees nor customers were unhappy with the quality of the work; rather, timing was their only complaint.

Can you identify the real problem and the solution? Most experienced managers would not attempt to solve Casandra's problem with this limited amount of information. Besides needing more information, they would also follow a logical decision-making process to select the best solution. Use of this process ensures that a number of possible solutions are identified and that only the best ones are considered for final selection. A logical decision-making process is based on these steps:

- Identify the problem
- Define alternative solutions
- Gather facts about the alternatives
- Evaluate alternatives to select the best one
- Formulate a plan of action.

Using the above steps, Casandra first proceeded to identify the actual problem. Although it sounds easy, it is really the most difficult and crucial step. If the problem is not correctly identified, the entire decision-making process will be worthless. Often what appears to be the problem is only a symptom of the real problem. In Casandra's case, the

problem might appear to be uncooperative employees, demanding customers, or timing of work assignments. As Casandra investigated further, she found that the real problem was not any of these "symptoms," and that it was actually a difference between employees' work hours and work requests.

Casandra then began to look for alternative solutions. Alternative solutions are simply different ways of solving a problem. Some alternatives are better than others. It is best to brainstorm for all the possible alternatives and write them all down--even the poor ideas!

Later, the poor ideas can be discarded. Often the solution is a combination of alternatives. For example, a poor alternative may offer one good feature which may be combined with another alternative. Casandra came up with all the following alternatives:

- Continue on "as is"
- Don't offer twelve-hour service--limit service hours to 8 a.m. to 4 p.m.
- Hire more part-time employees
- Hire only part-time employees who will be flexible in their work hours
- Design a new work assignment system
- Only accept service requests that can be done during the hours employees want to work.

Can you think of any more? Only your creativity in identifying alternatives will limit the choices available. The solution is only as good as the alternatives.

Casandra spent several days gathering the facts she needed for each alternative she considered. First, she analyzed the frequency of requests for work for each hour of operation. She also analyzed the hours employees preferred to work. She went to the library and studied the different systems for organizing work. She also talked with managers of other businesses to see if any of their systems would work in her operation. She even considered hiring a management consultant to help with the problem.

Next, Casandra evaluated the alternatives to choose the best one. This step requires careful thought. Each solution must be considered for its chance of success, and for the effect it will have on the entire operation. Sometimes no single alternative is "best," and the alternatives can be narrowed down to two or three. Casandra narrowed her alternatives to two:

- Design a new work assignment system
- Hire more part-time employees.

She combined these to form one broad solution. Casandra decided that her new work assignment system would be based on three four-hour shifts. Employees would indicate the shifts they would be able to work. Additional employees

would be hired to fill out the remaining shifts. The new work system and increased number of part-time employees would allow employees to be called for work only during scheduled hours. By having employees scheduled for each shift, customers could have service at the time they desired.

Next, Casandra developed a plan of action. She planned to ask present employees to select those shifts they would be available for work. She decided to advertise for new employees to fill vacant shifts. Casandra knew her plan of action was complete because it contained all the items that needed to be done in order to implement her decision. She studied it carefully, evaluating it to make sure each aspect of the plan would work. She was then ready to put her decision into action.

THE MANAGEMENT FUNCTION

WHAT KIND OF WORK DOES A MANAGER DO?

The core of a manager's job is built around the process of planning, organizing, actuating, and controlling/evaluating. The functions are so interrelated it is difficult to separate them. For example, while planning a project, you are also considering how to organize, actuate, control, and evaluate it. For purposes here, however, each function will be examined individually. Mastering these functions is vitally important in becoming a successful manager.

Planning

WHAT'S INVOLVED IN THE PLANNING FUNCTION?

Planning can take place at many different levels. For example, there is the master plan or long-term plan, the short-term plan, special events planning, and crisis planning. The manager is responsible for planning at all levels.

Levels of Planning

WHAT IS A MASTER PLAN?

The most important plan for any business is the master or long-term plan. This plan, prepared by the manager and responsible employees, sets the firm's goals or objectives. To be effective at master planning, the manager should possess certain characteristics. The manager:

- Must be able to see the situation as a whole
- Must be capable of dividing the whole into workable parts
- Must be objective and analytical
- Must be able to work with the unknown
- Must be able to avoid getting mired in details.

Master planning is usually very comprehensive. Once the goals and objectives are established, plans must be formalized for them. Most master plans include goals or objectives in each of the following areas:

- Finance
- Personnel
- Customer and public relations
- Advertising
- Accounting
- Production
- Credit
- Purchasing and inventory control
- Sales
- Profit
- Legal issues
- Security

A formalized master plan promises many business advantages. Most important, the plan helps the company grow in the direction you intend it to grow, since the plan outlines the general action to be taken to reach the goals set. Of course, as you develop these goals, you must take stock of where your company is, its strengths and weaknesses, and the changes needed to get the firm where you want it to be. While doing this, you can get a good idea of future needs, such as new employees, new facilities, and new machinery. Master plans help "put together all the pieces" of the business puzzle.

WHAT ARE SHORT-TERM PLANS?

After the master or long-term plans are prepared, short-term plans may be made. Short-term plans are the goals which must be accomplished in order to achieve the master plan. Short-term plans are based on the master plan. Usually these goals are accomplished in days, weeks, or months, while the long-term plan may require several months or a year or more.

Short-term planning is essential to the success of the small business. Through short-term planning, managers can deal with problems that could not be anticipated when the master plan was set. They can try new alternatives and get immediate feedback to see how plans are working. Short-term planning forms the backbone for day-to-day operations.

WHAT ARE OTHER TYPES OF PLANNING?

Special event planning is quite similar to other methods of planning, except that it does not relate to the master plan. It is apart from the everyday business routine. The key to special event planning is in integrating it with other work that must be done. Do not let the special event become so important that it disturbs other necessary business activities.

Good planning techniques should eliminate daily or weekly crises. Even with good planning, however, you will have to do some crisis planning to handle a crisis situation.

When a crisis decision does have to be made, the following guidelines might help:

- Get into a relaxed state of mind
- Focus on the logical outcomes of different solutions, not on all eventualities
- Don't put off making the decision
- Act decisively once you reach a decision
- Don't be afraid of failure.

Crisis planning and special event planning are occasional methods of planning.

Gathering Data

HOW IMPORTANT IS IT TO GATHER INFORMATION FOR PLANNING?

Often managers need special information before they can finalize a plan. Research can supply them with the data they need. Research information about the market or other areas can be gathered in a number of ways.

Managers can hire someone or collect the data themselves. The main concern is that the data be accurate and reliable. Sometimes needed data can be retrieved from community sources such as credit agencies and banks, county clerk's offices, U.S. Census reports, published market analyses, information from trade associations, and general economic base studies. If the desired information is not available, the manager may have to organize a research study. For example, if the manager wanted to know where the majority of prospective customers were located, a survey to collect data in one of the following ways might be conducted:

- Analyze all checks collected to know location of customer's bank
- Record all car license plates to pinpoint area of customer residence
- Survey each customer to determine area of residence.

Data gathered could be numerically summarized by graphs or percentage charts. This study would give the information the manager wants: the residence area of the customers.

Organizing

WHAT IS INVOLVED IN ORGANIZING?

Organizing is exactly what it denotes--organizing the business so it operates effectively and efficiently towards achieving the firm's goals. It involves setting up a structure that will give order to the tasks a business must conduct to achieve the firm's objectives. The organizing function is required to define, group, and assign responsibility to others. The workload must be spread among employees. Organizing the work of a small business is a necessity if personnel, equipment, and supplies are to be in the right place at the right time. To organize work well, you must group tasks to be done into individual jobs. You must also define how one job relates to another.

Forms of Organization

HOW MANY FORMS CAN AN ORGANIZATION TAKE?

The size of your business will probably dictate the type of organizational form you choose. Most small businesses begin at the direct supervision stage. At this stage, the owner/manager directly supervises all the work done by 25-30 employees. As a company grows, it will probably become impossible for an owner/manager to supervise all employees directly. The owner/manager will have to delegate the responsibility of supervision to capable employees who become managers. Stage two is the supervised supervisors' stage. In this stage, an owner manages a number of supervisors who, in turn, direct the work of 30 to about

200 employees. Very often, the indirect control stage is reached when a company has between 250 - 300 employees. At this point, the owner manages supervisors who, in turn, work with middle management persons who direct employees. At this stage, the operation has three levels. The organization has now become large enough to have a vice-president of sales, a vice-president of production, a vice-president of industrial relations, etc.

When a company begins to reach the size of 1,000 employees, it often moves into the divisional organization stage. Work is organized around different product lines or services and location of operations, or even management functions for the various product lines or services, with a vice-president in charge of making and selling each separate product line or service. Often, by this time, a company has become a large operation and probably a conglomerate—certainly no longer a small business.

Efficient Organization

ARE THERE WAYS TO ORGANIZE EFFECTIVELY?

The following guidelines will help you as your organize the work in your business.

- Organize work into jobs based on corporate goals
- Place one boss at the top
- Define authority clearly
- Advocate decision-making at the lowest possible level

- Communicate (includes listening to) with employees
- Monitor and control employee performance
- Give each worker a defined amount of control.

There are a number of systems that can be developed to help you organize efficiently. Depending upon the type of business you operate, you can develop a system for giving out work assignments that vary from day to day; a system for purchasing and maintaining equipment; and a system for ordering, taking inventory, and storing needed supplies and materials.

Each business varies. The work of some types of businesses is almost routine, while the operations of other businesses may fluctuate almost daily. Even though activities are different for each type of business some basic degree of organization must exist. Below are a few examples of business activities for a drugstore that would probably require organization:

- Dispense prescriptions
- Purchase merchandise
- Stock goods
- Monitor inventory
- Keep records
- Handle store maintenance
- Recruit, hire, and train employees
- Operate twelve hours each day
- Price goods.

A flower shop would probably have to conduct all of the following activities:

- Buy the flowers
- Care for the flowers
- Operate and maintain equipment in store
- Cut flowers
- Make displays of arrangements
- Make sale
- Deliver work
- Handle store maintenance
- Handle flowers by wire
- Keep records
- Advertise
- Hire and train employees
- Handle telephone
- Price merchandise
- Monitor inventory.

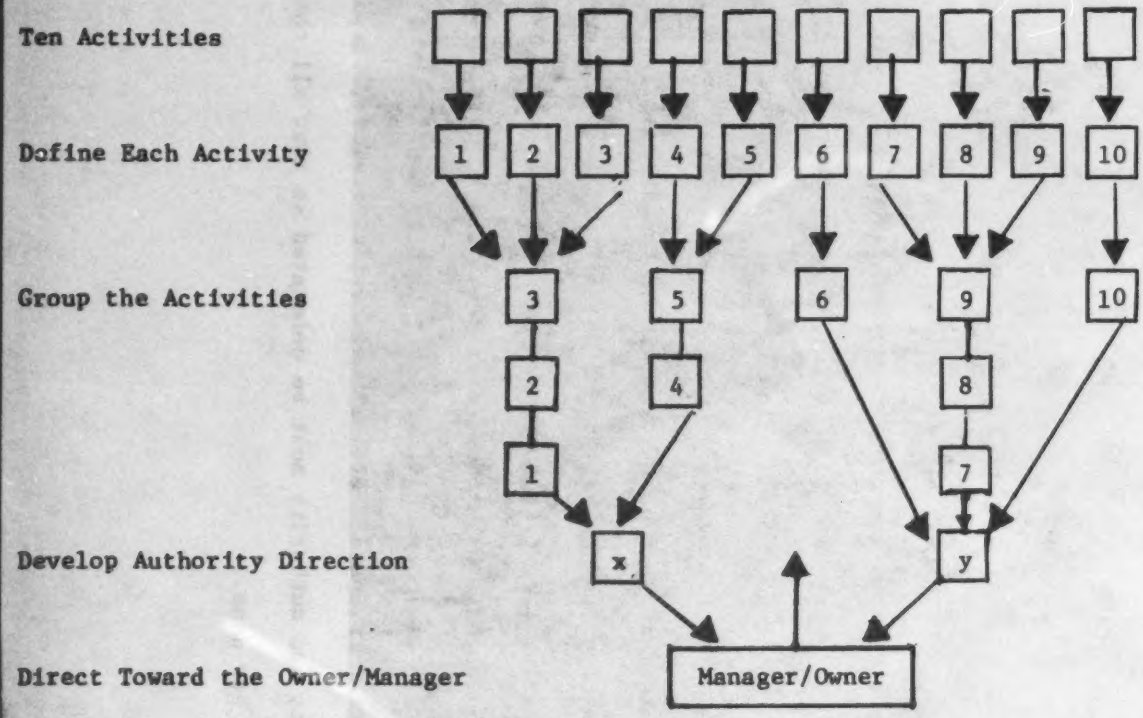
Steps in Organizing

ARE THERE STEPS TO FOLLOW TO ORGANIZE?

How would you go about organizing the work of the two examples cited above? The organizing function of management, like the planning function, has some rather well-defined steps. When organizing you must:

- Determine the activities necessary to carry out the plans
- Define the activities and classify the operations
- Group the activities to gain the best utilization of resources
- Develop authority-direction channels for each group
- Bring the groups together to one focal point.

The next page is an example of how these organizing steps might be applied. Assume there are ten activities which must be completed. When organizing, you would define each activity, group the activities based on similarities, and assign responsibility and authority. In addition to organizing the work, there are many activities required which enable these two businesses to reach their goals. Obviously, it would be impossible for one person to do all the tasks required to operate either business. Therefore, responsibility and authority must be delegated so that all the work will get done.


Ten Activities
Define Each Activity
Group the Activities
Develop Authority Direction
Direct Toward the Owner/Manager
1
2
3
4
5
6
7
8
9
10
3
5
6
9
10
2
4
8
1
7
x
y
Manager/Owner

Actuating

HOW DOES ACTUATING FIT IN?

Actuating is supervising and directing the efforts of the organization. To be successful in actuating, you must communicate well. Expectations and specific work procedures must be explained to employees if you expect them to meet your business goals.

The following questions will help you evaluate your typical communication strategy.

- Do you decide what the message is before you begin to deliver it?
- Do you decide what medium would communicate most effectively to your subordinates?
- Do you take into account the values and backgrounds of your subordinates and phrase the message so they will understand it?
- Are you aware of the mental and physical state of subordinates when you communicate?
- Do you think through the timing, sequence of thought, locale, and style of the message?
- Do you ask questions to make sure subordinates understand the communication?
- Do you follow up on whatever action you indicated in the communication?

If you do all these things when you communicate important messages, you are an effective communicator. If not, the above guidelines will assist you next time you need to provide a message.

Motivating employees is another important component of the actuating function. People generally need to feel they are an important part of the organization. Each employee also wants to know, "What's in it for me?" Basically, most of us are interested in our own welfare first. Loyalty comes about when employees see themselves as important persons within the firm and believe the company needs their contributions. A manager should recognize each employee as a total person. Company morale will be higher when this is done, resulting in a more effective, efficient staff.

Controlling/Evaluating

WHAT IS INVOLVED IN CONTROLLING AND EVALUATING?

Controlling is actually guiding a business to achieve its goals. Controlling devices, therefore, are designed to tell managers when the business is deviating from its chosen objectives. The manager should then take action to get the business back "on course."

The type of control used and implemented depends on the size and type of business. There are two basic types of control: directorial and daily operating control. Directorial control is broad and usually advisory

in nature. It is based on the advice and direction given to the small business by its board of directors or partners. Daily operating control refers to establishing and measuring operational plans. Cost standards, sales forecasts, expense budgets, and other items must be carefully watched.

During the control phase of managing, the actual achievements must be recorded and evaluated to see if goals have been reached. If evaluation shows that the results fell short of the plans, corrective action must be taken.

LEADERSHIP

WHAT IS NEEDED IN A LEADER?

In order for any small business to be a long-term success, it must be headed by a person possessing two main characteristics 1) the ability to lead and motivate people, and 2) the ability to assess the ever-changing business climate and make appropriate decisions.

Leadership styles are grouped into three broad types: authoritarian, democratic, and permissive. The authoritarian type of leader makes business plans with little or no participation from others, develops standard organization procedures, sets strict procedures for evaluation and control, and, in sum, personally runs the business. The democratic leader involves everyone qualified in setting goals, has each part of the organization develop its own procedures, has the employees set their performance standards and controls, and

works with supervisors to run the business. The permissive type of leader is not too concerned with overall planning, lets each individual develop his or her own organization procedures and procedures for evaluation and control, and lets each department independently run its part of the business with minimal or no guidance from the leader.

There is no best style of leadership. Any personality and leadership style can be successful if it is used with the right employees. When an entrepreneur selects employees for the business, those chosen ought to complement the style of management and personality of the entrepreneur.

UNDERSTANDING THE BUSINESS CLIMATE

HOW CAN THE MANAGER ASSESS THE BUSINESS CLIMATE?

Assessing the business climate and making decisions to assure continued business success is another skill needed by the manager. We are all bombarded with information constantly, and managers must learn to be alert to that information which specifically affects the firm's operation. The following is a list of concerns that may have an impact on your business:

- Increased government regulation
- Shortage of energy and other resources
- Continued long-range inflation
- Changing availability of money
- International interdependence
- Union activities
- Ecology.

These and many other issues affect most business operations.

The key to assessing the business climate is staying informed. Listen to or watch the news each day. Read local and national newspapers and magazines. Join business groups that will keep you up-to-date on government and labor legislation. Subscribe to national newsletters that report what is happening nationally, as well as anticipated trends. Knowledge gained from these sources should give you the facts you need to make the best decision.

PREPARATION/ADAPTATION ACTIVITIES

Are you able to apply these management principles to your business aspirations? The following activities should help you check your knowledge about decision-making and the management functions.

ASSESSMENT ONE

1. Draw a diagram showing the formal organization you think would be best for your business. Be sure to include all jobs. In addition, prepare a short description of the duties and responsibilities of each job.
2. Interview at least three small business owners in your community on the functions of management. Ask each to explain the management role she or he assumes in the firm. What is the organizational structure for the company? Who reports to whom? How have responsibilities been delegated?
3. Develop a complete plan for collecting current in-house, local, and national information needed for making decisions in your business. Your plan should encompass all steps of the planning process, and should include, but not be limited to, the following sources:
   - Reports from subordinates
   - Newsletters to which you should subscribe

- Organizations you should join
- Magazines or newspapers you intend to read
- Local or national newscasts.

4. Develop a management plan you feel will work for the business you plan to start. Include the following in the plan:
   - Long- and short-range plans for one year
   - Organization of jobs and their relationships
   - Basic listing of equipment and supplies needed to open the business
   - Formal and informal methods you may use to communicate with employees when the plan is put into action
   - Methods of control and evaluation you plan to use.
5. Distinguish between crisis planning and special event planning.

POSTASSESSMENT

1. Describe three characteristics of a successful manager.
2. Identify and explain the steps in a logical decision-making process.
3. Apply the decision-making process to the following situation:

Two types of desks, standard and executive, can be produced by the Okey Company. The profit yield on the standard desk is $20.00 in contrast to that of $50.00 on the executive desk. The company can produce a maximum of 600 desks a month because of the size of the facilities. Problem: which of the desks should be produced? Should a combination be produced?

4. Describe the importance of leadership by owners/managers and describe a leadership style.

5. What does master planning involve? Provide examples of items that are included in a master plan.

Compare your answers to your responses to the preassessment. You may want to check your postassessment answers with your instructor.

SELF-EVALUATION

How well did you know the information needed to do the activities?

( ) Very well

( ) Fairly well

( ) A little.

Be honest with yourself. If you feel you don't know the material well enough, it might be helpful to review this section before going on.

SOURCES TO CONSULT FOR FURTHER INFORMATION

Benge, E. J. How to Manage for Tomorrow. Homewood, Illinois: Dow Jones-Irwin, Inc., 1975.

Drucker, P. F. Managing for Results. New York: Harper & Row, 1964.

Gellerman, S.W. Management by Motivation. New York: American Management Association, Inc., 1968.

Harrison, J. F. Management by Obstruction. Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1974.

Harvard Business Review. On Management. New York: Harper & Row, 1975.

Heilbroner, R.L., et al. In the Name of Profit. New York: Doubleday and Company, Inc., 1972.

Mancuso, J. Fun and Cuts: The Entrepreneur's Philosophy. Reading, Mass.: Addison-Wesley Publishing Co., 1973.

Peter, L. J. and Hull, R. The Peter Principle. New York: William Morrow and Company, Inc., 1969.

Stegall, D.; Steinmetz, L.; and Kline, J. Managing the Small Business. Homewood, Illinois: Richard D. Irwin, Inc., 1976.

FILM

PREPARATION/ADAPTATION LEVEL:

The Business Plan (14 min., sd., color, 16mm), available for purchase or rental from Sales Branch, National Audiovisual Center - General Service Administration, Washington, D. C. 20406. Phone (301) 763-1854.

Dramatizes the need for and elements in a business plan as a management tool for successful business operation. Dialogue and disussion between the two main characters reveals that lack of planning can be a key factor in the decline of a business.

RESEARCH AND DEVELOPMENT SERIES NO. 194 C-1

PACE

A Program for Acquiring Competence in Entrepreneurship

Instructor's Guide

Part III

Being An Entrepreneur

Unit A

Managing The Business

THE NATIONAL CENTER
FOR RESEARCH IN VOCATIONAL EDUCATION
THE OHIO STATE UNIVERSITY
1960 KENNY ROAD • COLUMBUS, OHIO 43210

USING THE INSTRUCTOR'S GUIDE

The Instructor's Guide contains the following:

- Teaching/Learning Objectives (identical to the Teaching/Learning Objectives found in the PACE unit)
- Teaching/Learning Delivery Suggestions
- Pre/postassessment Suggested Responses

This information is geared towards the three levels of learning, and is designed for use as a supplemental teaching aid. Additional instructions for using PACE, sources of information, and an annotated glossary can be found in the PACE Resource Guide.

PRE/POSTASSESSMENT
SUGGESTED RESPONSES

EXPOSURE

1. Steps involved in making business decisions include the following: (a) identify the problem, (b) define alternative solutions, (c) gather facts about alternatives, (d) evaluate alternatives to pick the best solution, (e) formulate a plan of action.

2. Planning is the first step toward establishing a successful business venture. Planned activities are more likely to be effective activities.

3. Management functions include the following: (a) planning the work—setting goals and objectives; (b) organizing the work—tasks to be performed, people and equipment needed to implement plans are identified; (c) actuating—putting the plan in action; and (d) controlling and evaluating work—monitoring effectiveness of plans.

4. *Short-term* plans describe goals and objectives that can be realized in days or weeks. *Long-term* plans are designed to achieve objectives over a period of months or years.

5. To make decisions, entrepreneurs can get needed information by brainstorming, asking colleagues, conducting market research, and hiring a consultant.

EXPLORATION

1. Managers experience problems in performing each of the management functions. Problems arise when planning, organizing, and implementing business activities.

2. Management functions include the following: (a) planning the work—setting goals and objectives; (b) organizing the work—tasks to be performed, people and equipment needed to implement plans are identified; (c) actuating—putting the plan in action; and (d) controlling and evaluating the work—monitoring the effectiveness of plans.

3. Because decision-making is an integral part of all the management functions, a business run by someone who cannot make effective, timely decisions is doomed to failure. To become expert decision-makers, entrepreneurs should strengthen abilities to recognize problems and surround themselves with people/techniques to help solve problems.

4. The inherent rewards include: freedom to make decisions, challenge of being in control, possibility of unlimited success.

5. Responses should be honest appraisals and should reflect a knowledge of the functions of management.

PREPARATION/ADAPTATION

1. Successful managers (a) make things happen; (b) concentrate on managing, not doing; (c) act naturally; (d) strive for results; (e) work through organization.

2. The decision-making process is a fundamental management skill and is composed of five steps: (a) identify the problem, (b) look for alternatives, (c) gather facts about alternatives, (d) evaluate alternatives, (e) formulate a plan of action.

3. Response should reflect an understanding of the five steps in the decision-making process (listed in response to #2).

4. Good leadership ability is an ingredient of long-term business success. Managers don't do things, they get things done through people, so they must be able to lead or motivate workers. Leadership styles include (a) authoritarian, (b) democratic, (c) permissive.

5. A master plan which involves establishing the firm's major long-term goals or objectives is a comprehensive plan. All other plans are formulated to achieve goals set in master plan. A master plan includes information on such items as finance, personnel, public relations, advertising, legal issues, and sales, to name a few.

LEVELS OF LEARNING	TEACHING/LEARNING OBJECTIVES Upon completion of this level of instruction you should be able to:	TEACHING/LEARNING DELIVERY SUGGESTIONS A variety of different teaching/learning methodologies have been used. To help you organize your work and plan the use of this level these suggestions are made:
Exposure	1. Explain the role of management in operating a small business. 2. Distinguish between short-term and long-term planning. 3. List the steps involved in making business decisions. 4. Explain and define the management functions.	1. Try to locate help wanted ads for management positions in your area. 2. Have a local small business owner discuss his or her responsibility in performing management functions.
Exploration	1. Access your capabilities for being a successful manager. 2. Use the logical decision-making process to make business decisions. 3. Identify problems and rewards inherent in the management role.	Invite an entrepreneur to speak to the group on the steps she or he uses in solving business problems and on a typical work week of an owner-manager.
Preparation/Adaptation	1. Explain the management role and your perceived strengths and weaknesses in relation to that role. 2. Use the logical decision-making process to make business decisions. 3. Identify and explain basic managing skills in planning, organizing, actuating, and controlling. 4. Outline a management style you believe might be successful for you in a small business. 5. Identify the characteristics of a successful manager.	1. Collect articles dealing with small businesses from your local newspaper for one week. 2. Set up a panel of local business persons and have them describe their management systems. 3. Invite a speaker from Junior Achievement to speak to the class about the program.

The PACE series consists of these parts and units.

PART I: GETTING READY TO BECOME AN ENTREPRENEUR

- Unit A: Nature of Small Business
- Unit B: Are You an Entrepreneur?
- Unit C: How to Succeed and How to Fail

PART II: BECOMING AN ENTREPRENEUR

- Unit A: Developing the Business Plan
- Unit B: Where to Locate the Business
- Unit C: Legal Issues and Small Business
- Unit D: Government Regulations and Small Business
- Unit E: Choosing the Type of Ownership
- Unit F: How to Finance the Business
- Unit G: Resources for Managerial Assistance

PART III: BEING AN ENTREPRENEUR

- Unit A: Managing the Business
- Unit B: Financial Management
- Unit C: Keeping the Business Records
- Unit D: Marketing Management
- Unit E: Successful Selling
- Unit F: Managing Human Resources
- Unit G: Community Relations
- Unit H: Business Protection

RESOURCE GUIDE